

2. Housing Market Analysis

This section presents an analysis of the state's housing stock and describes current housing market conditions. It provides the context for the accompanying needs assessment, strategic and action plans.⁷ It begins with a brief overview and examination of issues of supply and demand, condition, cost, and availability of housing (general conditions). It includes a description of the state's public housing and other subsidized housing resources and homeless and special needs facilities. It identifies areas of low income housing concentration and areas of high concentration of racial and ethnic minorities. It also identifies barriers to meeting the affordable housing needs of Massachusetts residents.

General Conditions

Overview

There are over 2.4 million occupied housing units in the Massachusetts. Although homeownership rates have been rising, only 65 percent of the state's households own their homes. (Massachusetts ranks 41st among the states in homeownership.). Thirty-eight percent rent, most (55 percent) in small structures of 1-4 units. Approximately 8 percent of the housing units in Massachusetts are subsidized, almost twice the national average, and another 70,000⁸ households are assisted with tenant-based rent subsidies. Counting these tenant-based subsidies, one quarter of the state's renters benefit from some form of housing assistance. Still, the Commonwealth has a serious and growing housing affordability problem.

Massachusetts has been a high cost housing market, for both renters and homeowners, for almost twenty years. **Figure 2.1**, comparing the value of owner occupied homes in Massachusetts with the nation as a whole, illustrates how dramatically they have diverged since 1980. By 2003, the Annual Community Survey (ACS) ranked the state as having the second highest median home value, the third highest median rent and the fourth highest median mortgage payment of all states in the continental U.S. The National Association of Realtors reported that Massachusetts was the third most expensive state in which to buy a home in 2003, and the National Low Income Housing Coalition proclaimed it the most expensive state in which to rent one.⁹

It is also a costly state in which to build, maintain and operate housing. The housing stock is relatively old: Massachusetts has the 2nd highest percentage of housing units that were built before 1950 and the 2nd lowest percentage of units that were built since 1990. Winters are long and cold,

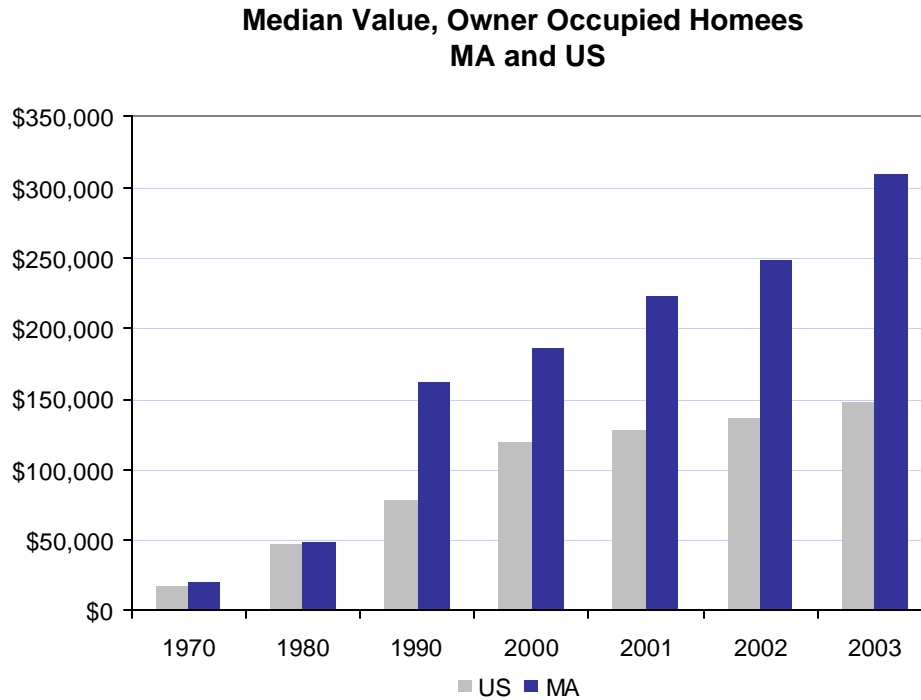
⁷ Several recent reports from Massachusetts universities and research institutes provide greater detail about housing trends and recent changes in housing demand, supply and affordability. These include *Winners and Losers in the Massachusetts Housing Market*, University of Massachusetts Donahue Institute, January 2004, *The Greater Boston Housing Report Card 2002 and 2003*, Northeastern University Center for Urban and Regional Policy, October 2003 and April 2004, and *the State of the American Dream, 2002* Northeastern University Center for Labor Market Studies and MassInc, May 2002. These and other resources are available on the DHCD Consolidated Plan 2005-2009 website, including key housing indicators for each of the Commonwealth's 351 cities and towns.

⁸ Approximately 68,000 Section 8 vouchers and 2,000 under state programs (Massachusetts Rental Voucher and Alternative Rental Voucher Programs and DMH Rental Assistance)

⁹ NAR (based on median existing single family home price) and the National Low Income Housing Coalition (based on income required to afford a 2BR apartment at the HUD fair market rent)

and high heating bills add to the already burdensome housing costs. It is a slow growth state and new housing units are permitted at only about 40 percent of the national rate.

Figure 2.1



Source: U.S. Census, 1970-2000; Annual Community Survey, 2001-2003

The 2003 ACS ranks Massachusetts as having the fifth highest median household income (\$53,610) and the fourth highest median family income (\$67,527) in the nation. The state's relatively high median income masks a growing income inequality, though, and the earnings of many working families – and those on fixed incomes or receiving public assistance – are insufficient to pay for the housing that is available in the market today. Further, incomes have stagnated since 2000. In 2003 inflation adjusted dollars, the median household income rose by less than 1 percent between 2000-2003 (0.8 percent) and the median family income rose by only 2.5 percent. Over 32 percent of Massachusetts homeowners and 47 percent of renters paid more than 30 percent of their income for housing in 2003. And, more than one in ten homeowners and nearly than one in four renters paid over half of their income for housing.¹⁰

¹⁰ ACS 2002 Profile

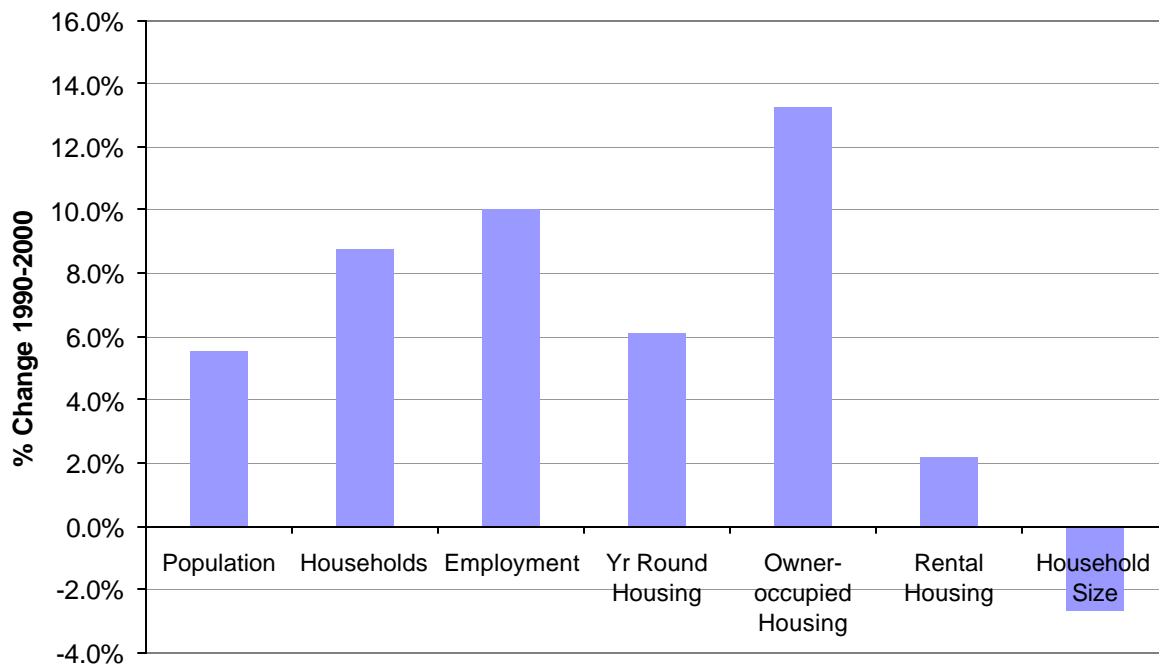
Changes in Housing Supply, Demand and Affordability, 1990 – 2000

It is useful to review the important changes that occurred during the decade of the 1990s in terms of housing supply, demand and affordability because those changes help explain the current market conditions.¹¹

Strong Economy Spurs Demand The Massachusetts economy was in recession in 1991-1992, but it began to improve by the middle of the decade, and between 1995 and 2000, more than 423,000 new jobs were added. The economic growth boosted incomes and attracted new workers to the state. The number of households increased by nearly 9 percent between 1990-2000, but the number of new housing units increased by only 6 percent. (See **Figure 2.2**) As a result, the Commonwealth entered the 21st century short nearly 70,000 housing units.¹² This is the number of additional units that would have been required to accommodate the 1990s household growth while maintaining vacancy levels in the normal range of 1.8 percent for owner-occupied housing and 6 percent for rental housing.

Figure 2.2

Demographic and Economic Trends in Massachusetts 1990-2000



Source: U.S. Census 2000

¹¹ This is the first Consolidated Plan submitted since the release of the full 2000 Census data.

¹² *Winners and Losers in the Massachusetts Housing Market*, Goodman and Palma, UMass Donahue Institute, January 2004

- **Shifting Household Needs** Compounding the problem was the fact that demand was increasing for the types of units that were no longer being produced: smaller, less expensive ownership units and affordable rentals in a range of sizes and locations. The population was aging, and household size was dropping. The number of people living alone increased by 18 percent, two-person households rose 11 percent, and the number of female-headed households with children under the age of 18 increased more than 15 percent. The number of married couples with children under the age of 18, on the other hand, rose less than 5 percent. More than 300,000 new immigrants settled in Massachusetts between 1990-2000. During the same period the number of adults receiving mental health services in state operated facilities declined by 45 percent and the state has worked with a host of service providers to reintegrate these individuals into their communities.
- **Increasing Income Inequality** Average real wages rose during the 1990s, but disparities among regions became more pronounced. The overall increase was driven primarily by the steep rise in wages in the Boston and Northeast regions. The Central and Cape and Islands regions recorded modest gains, but the real average wages in the Pioneer Valley and Southeastern regions were flat. (Median income rose significantly on Cape Cod during this period, but that was due to an influx of new, higher income residents, not increased wages of Cape Cod workers.) The uneven wage gains contributed to varying rates of change in household income. Overall between 1990 and 2000 real household incomes increased by only 2 percent,¹³ and at least part of this rise is attributable to more wage earners per household, working longer hours. The fact that median household income remained essentially flat while per capita income was rising suggests that many middle income wage earners did not share in the gains of the decade.

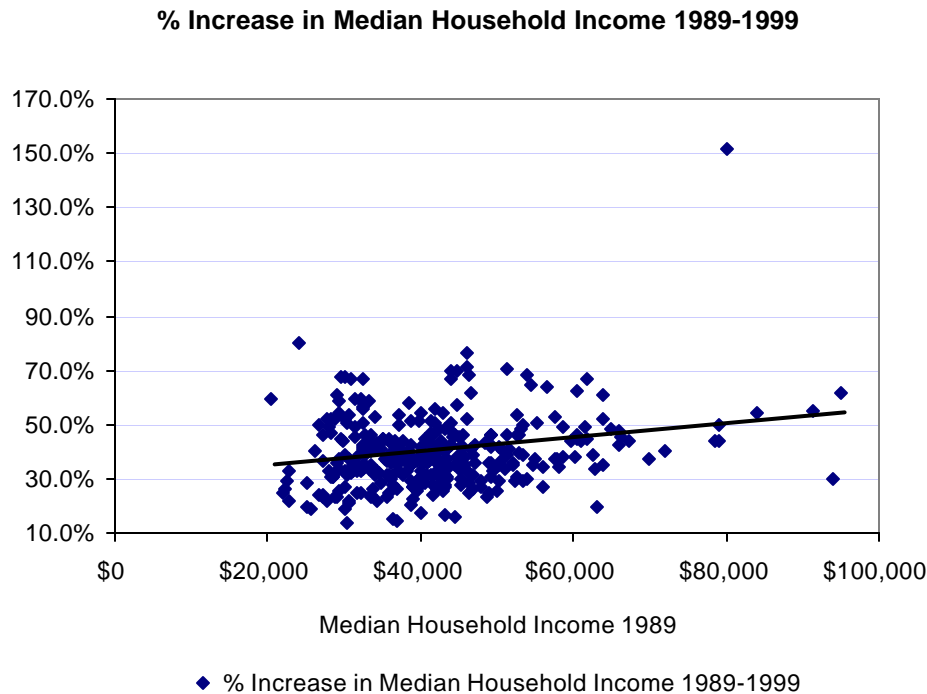
The income gap among communities also became more pronounced during the 1990s, as towns that had the highest median incomes at the beginning of the decade registered the largest percentage increases by 2000. Median family incomes in 1999 ranged from a high of \$181,000 in the town of Weston to a low of \$21,000 in the small town of Monroe. Twenty-nine Boston suburbs reported median family incomes of over \$100,000 in 1999; 43 communities, including the state's largest cities and many small rural communities, reported median family incomes of less than \$50,000. In general, the higher the 1989 income in a municipality, the larger the percentage increase in income over the decade. (See **Figure 2.3**)

- **Lagging Production** The increase in the number of new housing units added between 1990 and 2000 fell well short of the increase in the number of households – 6 percent versus 9 percent. **Figure 2.4**, which illustrates the number of housing units permitted annually in Massachusetts since 1968, documents the decline from an average of nearly 31,000 units per year during the 1970s to 28,000 per year in the 1980s to less than 17,000 per year during the 1990s. The decline in multi-family units was even more dramatic, dropping from an average of 14,000 units per year in the 1970s to 7,000 per year in the 1980s to fewer than 1,500 per year in the 1990s. As a result, most of the housing mismatch occurred in multifamily inventory where almost 51,000 new households vied for just 17,000 new units. On the single-family side, some 167,000 new households filled 157,000 new units.¹⁴

¹³ *Toward A New Prosperity: Building Regional Competitiveness Across the Commonwealth*, University of Massachusetts Donahue Institute, October 2002.

¹⁴ *Winners and Losers in the Massachusetts Housing Market*, Goodman and Palma

Figure 2.3



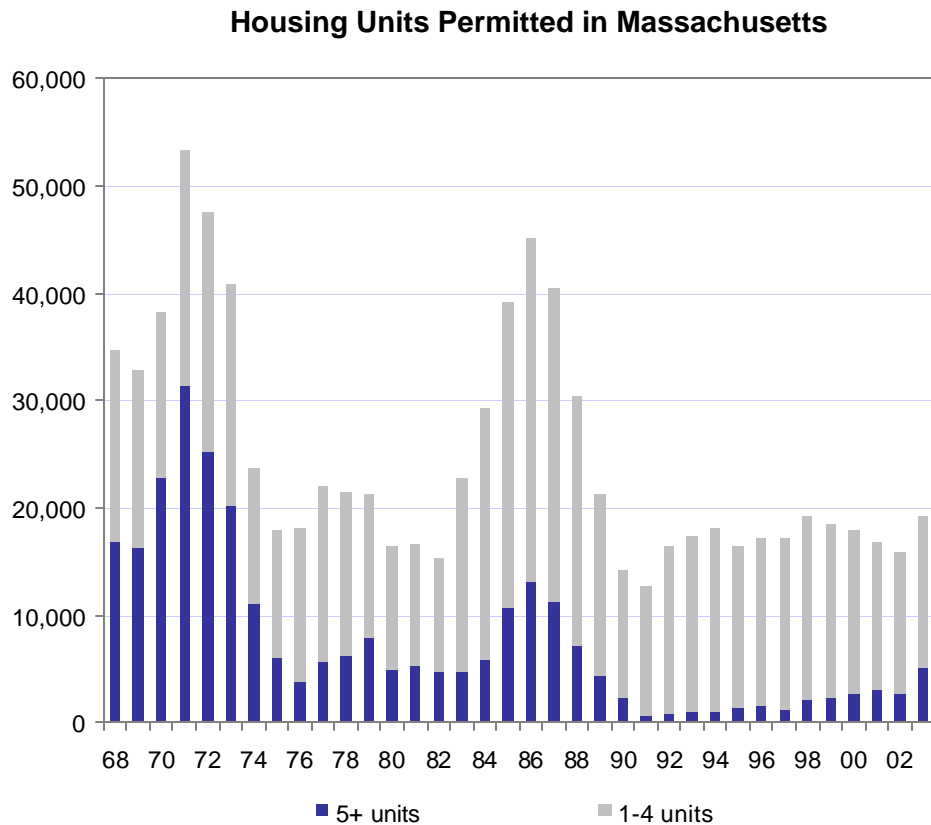
Source: U.S. Census 1990 and 2000

- **Falling Vacancy Rates** As the additional households were accommodated in existing vacant units, the rental vacancy rate dropped from 6.9 percent in 1990 to 3.5 percent a decade later, and the homeowner vacancy rate fell from 1.7 percent to 0.7 percent. These were the lowest rates in the nation. (See **Figure 2.5**) The number of families doubling up – a situation the Census refers to as the presence of subfamilies – increased over the course of the decade, as did the number of households reporting that they had “non-relatives” living with them, both indications of a tight and expensive housing market. Severe overcrowding also increased between 1990 and 2000, especially in those cities that had accommodated large numbers of new immigrants (e.g., Chelsea, Lawrence, Boston, Lowell, Lynn, Holyoke).
- **Rising Prices** In response to the imbalance between household growth and new housing production, rents and house prices rose sharply in the eastern part of the state. In Greater Boston, average rents rose by more than 60 percent between 1995 and 2000, from \$959 to \$1,565 per month. During the same period, single-family home prices also rose 60 percent, from \$154,400 to \$245,300.¹⁵ The situation was similar in the Northeast region. The increase in home prices on Cape Cod, Martha’s Vineyard and Nantucket exceeded 70 percent. As home prices rose, Massachusetts experienced a drop in the number of younger homebuyers and those with moderate incomes. **Figures 2.6 and 2.7**, which illustrate the state’s homeownership rate by age and income compared to the nation’s, document this. At incomes of over \$100,000, the rate of homeownership in Massachusetts approximates the national rate; below that, it lags. The

¹⁵ *The Greater Boston Housing Report Card*, Allen, Bluestone, Heudorfer, and Weisman, Northeastern University Center for Urban and Regional Policy, October 2002.

homeownership rate among householders under the age of 34 is less than 83 percent of the national rate for that age group.

Figure 2.4

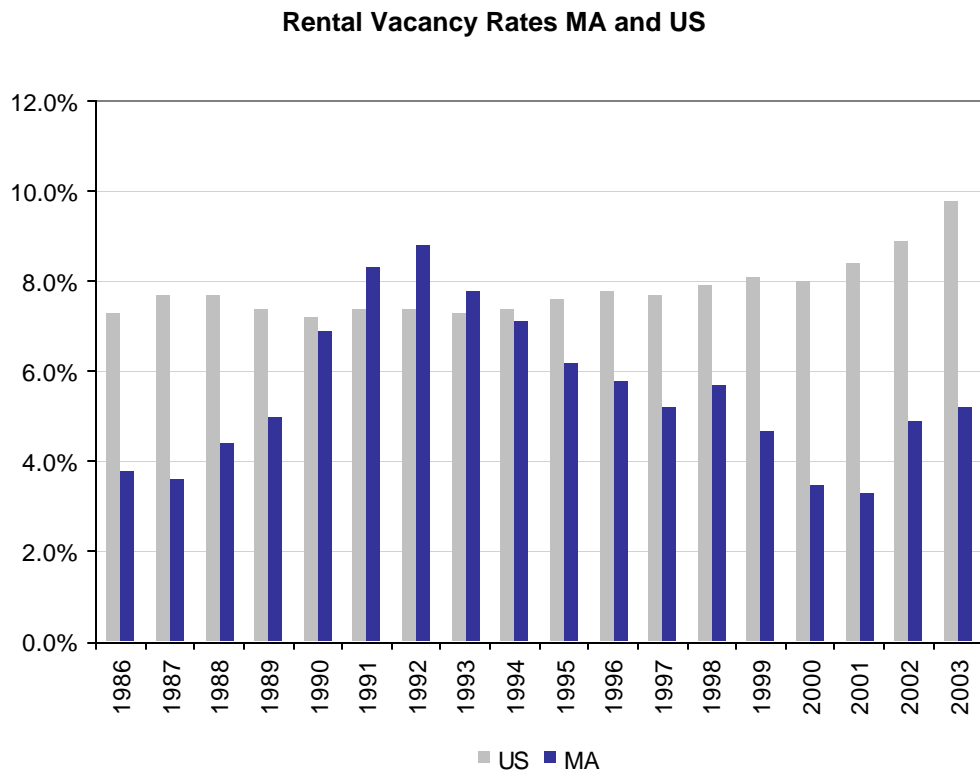
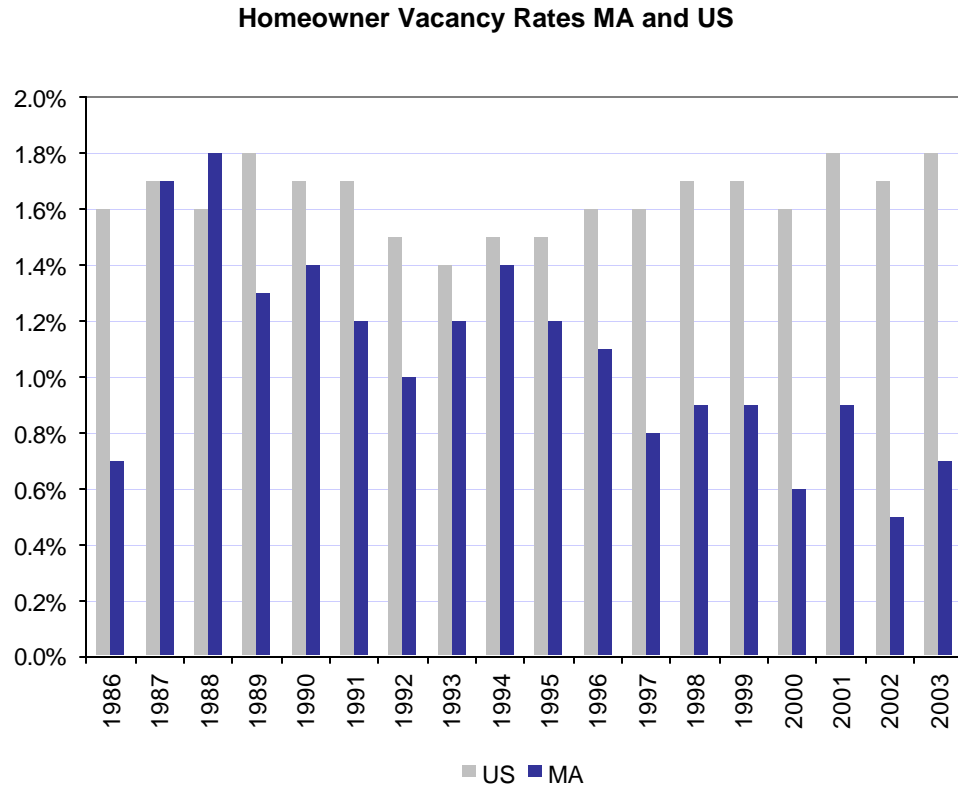


Source: U.S. Census Bureau Building Permits

- Disparate Impact** The tightening of the market between 1995 and 2000 was an eastern Massachusetts phenomenon. Median single family home prices rose by only 18 percent during this period in the Pioneer Valley and Berkshire regions. The number of vacant (non-seasonal) housing units remained virtually unchanged between 1990-2000 in the Pioneer Valley and increased by nearly 10 percent in the Berkshires, while in the Boston, Cape and Islands and Northeast regions, they plummeted by 47 percent, 53 percent and 50 percent, respectively.¹⁶

¹⁶ U.S. Census Summary File 1, Table H005 (1990), Summary File 1, Table H5 (2000)

Figure 2.5



Source: U.S. Census Bureau Quarterly Vacancy Survey

Figure 2.6

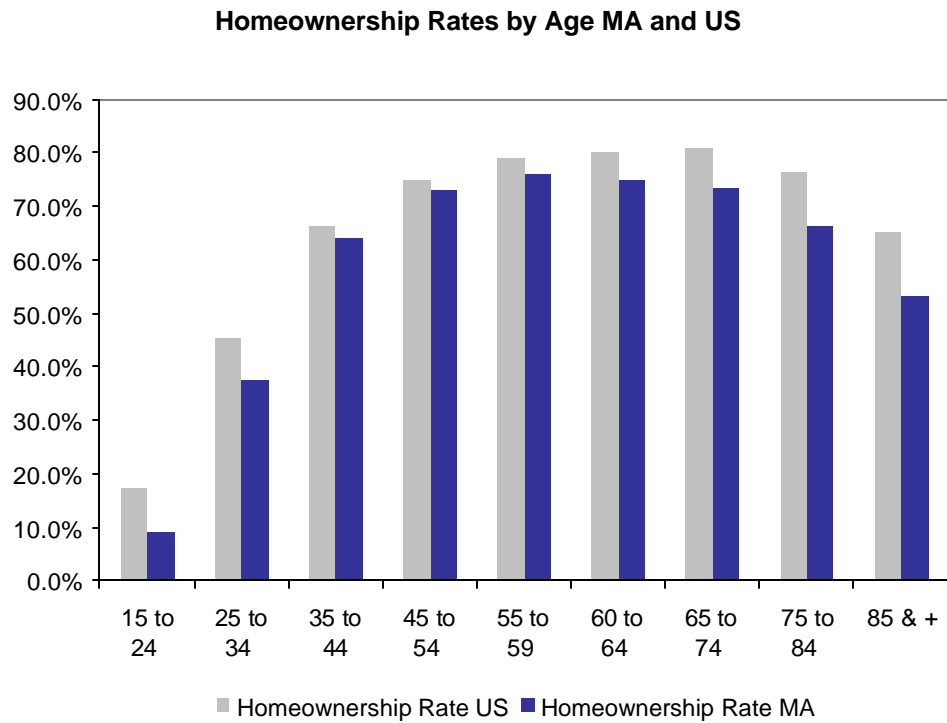
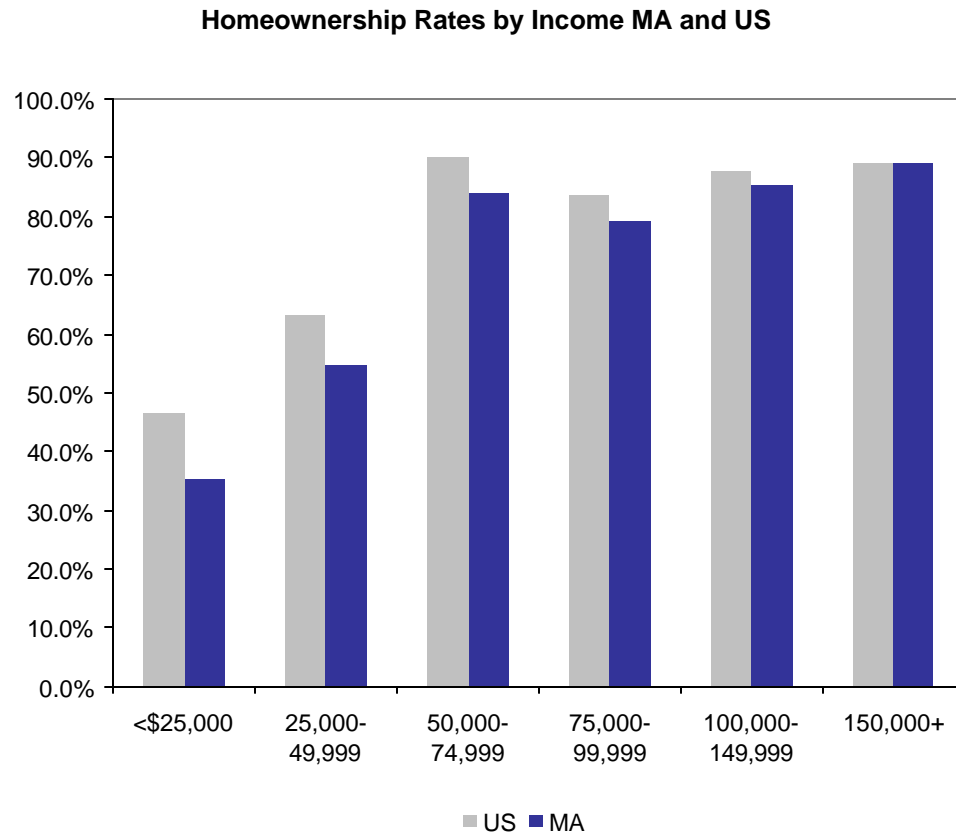


Figure 2.7



Economic and Demographic Shifts Since 2000¹⁷

- **Economy** The Massachusetts economy slid into recession during the first quarter of 2001, and by February 2004, the number of employed workers in the state had declined by more than 8 percent from pre-recession peak levels. The most recent data (May 2004) show some modest job growth, but employment remains 6 percent below its December 2000 level. Unemployment, which had reached a low of 2.2 percent, rose to 6.4 percent in the spring of 2003, before dropping back to 5 percent by May 2004.¹⁸ Even so, this slowdown – the second longest in the post World War II era – has not been as devastating as the last one (1990-1992) when the state lost more than 11 percent of its payroll jobs, unemployment rose to nearly 10 percent and home prices briefly declined in value.¹⁹

Just as the changes in the state's demographic profile between 1990 and 2000 reflect the expanding economy, the changes documented in the 2003 Annual Community Survey (ACS), conducted by the U.S. Bureau of the Census, reflect the poor economic conditions that have prevailed since then. The ACS documents the increase in the number unemployed and the substantial job loss since 2000. It estimates that population, number of households and number of housing units grew by less than 1.5 percent between April 2000 and July 2003.²⁰

- **Housing** **Figure 2.8** highlights some of the shifts that have occurred since 2000 in key housing indicators. The number of owner occupied units increased by nearly 6 percent, offsetting a loss of nearly 7 percent in renter households. This figure shows that the median monthly housing costs rose nearly equally for homeowners with a mortgage and renters, 7.6 and 7.5 percent respectively. The median monthly cost for homeowners without a mortgage increased by nearly 12 percent, as real estate taxes and insurance premiums rose with the increasing home values. The average single family tax bill statewide rose 18 percent between 2000 and 2003, while the home values reported in the ACS increased by 50 percent.

Renters are still disproportionately burdened by the combination of low incomes and high rents: the median renter income in Massachusetts was just 45 percent of that of homeowners in 2003. Many prospective homeowners have already been priced out of the market. Now existing homeowners are also experiencing cost burdens. The increase in the percentage of homeowners paying more than 35 percent of their income for housing was twice that of renters (29.5 percent for homeowners with mortgages, 29 percent for those without mortgages, and 15.2 percent for renters).

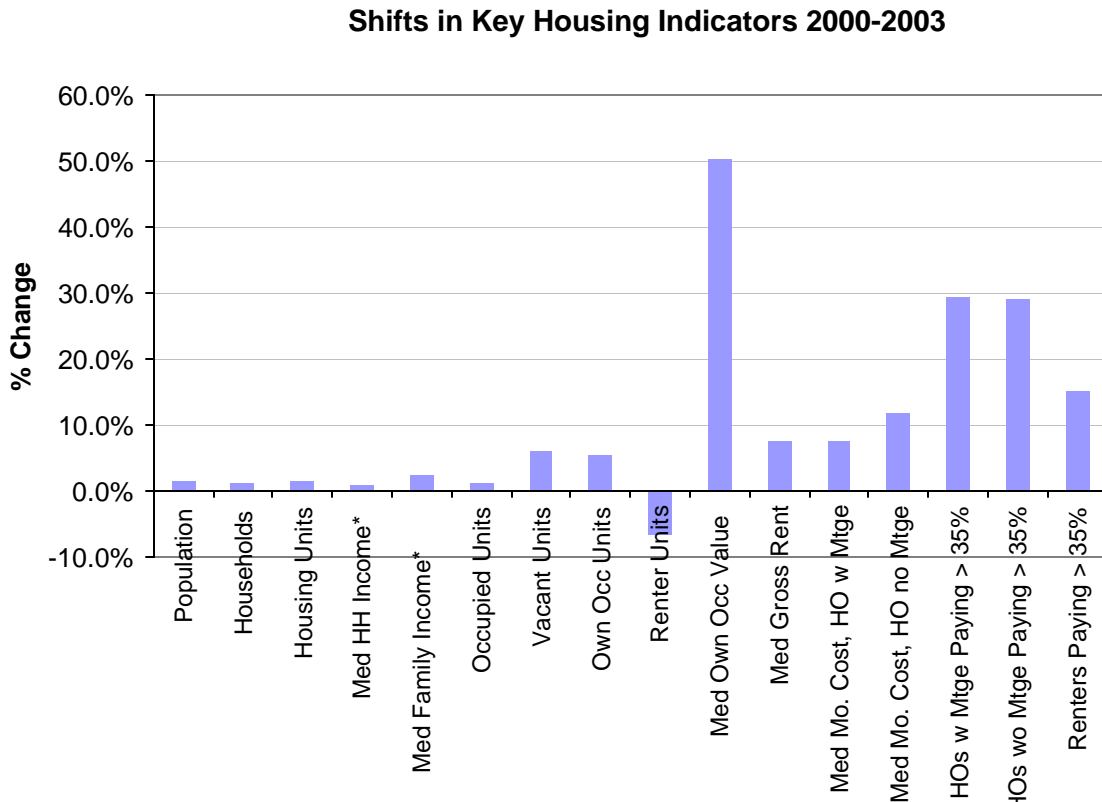
¹⁷ Throughout this section, the ACS Multi-Year Profile for Massachusetts, prepared by the U.S. Census, was used to compare social, economic, population, and housing data from 2000 and 2003

¹⁸ Unless otherwise noted, current economic indicators are from the Federal Reserve Bank of Boston's Update New England, First Quarter 2004

¹⁹ "The State of the State Economy," Alan Clayton-Matthews in *Massachusetts Benchmarks*, Summer 2003

²⁰ The 2000 Census and the Annual Community Survey (ACS), both conducted and published by the U.S. Bureau of the Census, are not directly comparable because they employ different methodologies. However, the ACS provides a useful snapshot of conditions during the years between decennial census.

Figure 2.8



Source: Annual Community Survey 2003 Profile of Change. All changes in income and housing costs are reported in 2003 inflation adjusted dollars.

- Population** Massachusetts' overall population increased by less than 1.5 percent between 2000 and 2003. The black population²¹ increased by nearly 25 percent, the Asian population by 21 percent and the Hispanic population by more than 12 percent; the white population registered a negligible decline of less than 0.5 percent. The racial/ethnic composition of the state in 2003 was 80.8 percent white, 7.5 percent Hispanic, 5.6 percent black, 4.4 percent Asian, and 1.7 percent all other categories. Nearly 14 percent of the state's population is foreign born; almost half have immigrated since 1990. The 2003 ACS reported that the number of foreign born residents rose by nearly 96,000, a 12 percent increase, between 2000 and 2003. During the same period, the number of Massachusetts born residents dropped by more than 41,000 (1.2 percent) and the number of residents born elsewhere in the U.S. dropped by 32,000 (3 percent).

²¹ Hispanics may be of any race. As used in this section, the terms white, black and Asian are shorthand for "white alone, non-Hispanic," "black alone, non-Hispanic," and "Asian alone, non-Hispanic," respectively.

Current Market Conditions

The rental market has borne the brunt of the most recent economic downturn. The 2003 American Community Survey reported a 7 percent decline in the number of renter households statewide since 2000. For both renters and homeowners, however, Massachusetts remains one of the most expensive housing markets in the nation.

- **Moderating Rent Levels** The rental market has softened, but the greatest impact has been felt at the higher end of the market, including the many luxury units that were just coming on line beginning in 2000. Several recently completed luxury rental properties are now being converted to condominium ownership, and a number of planned developments have delayed their construction starts.

A recent Northeastern University study²² concluded in April 2004 that, overall, rents in 161 Greater Boston communities had dropped by less than 10 percent since 2000 after having increased by more than 60 percent between 1995-2000. Even with this leveling off of rents, more tenants were cost burdened or severely cost burdened in 2003 than had been in 2000. While a renter seeking an apartment in 2003 may have found more choices, and somewhat lower prices, than she would have two years earlier, she would undoubtedly have ended up paying more than she had been in 2000, especially if the move followed a long tenancy.

Table 2.1 illustrates the impact of turnover on cost burden. It shows the number of renters, by rent level, in 2000 and 2003. During that three-year period, the number of apartments statewide, in every price level under \$1,000/month, dropped significantly. The number of tenants paying over \$1,500/month, on the other hand, nearly doubled.²³ The Northeastern study concluded that median advertised rents exceeded 30 percent of the estimated median renter income in 16 of 20 Boston area cities and towns. The report noted that the median advertised rent in the poorest communities – Chelsea, Revere and Boston – would consume more than 50 percent of the typical renter household's income.²⁴

- **Increasing Vacancies** At the same time that an increasing number of families are unable to afford their rent, and the stock of affordable rental housing is shrinking, the number of vacant units is growing. The ACS reported a 2003 rental vacancy rate of 5.3 percent and a persistently low homeowner vacancy rate of 0.7 percent. The Census Bureau projects a rental vacancy rate of 7 percent and a homeowner vacancy rate of 0.9 percent for 2004.²⁵ While a number of new luxury apartments have experienced a sluggish rent-up, the vacancies are not limited to the high end of the market. Many exist in the 1-4 family inventory and public and subsidized properties.
- The 2003 ACS estimated that there were nearly 50,000 units, vacant for rent, in Massachusetts. Another 38,000 were reported as “other vacant,” a catchall that *excludes* units that are under construction; rented but not occupied; those held for seasonal, occasional or recreational use; unoccupied migrant housing; and units clearly uninhabitable or slated for demolition. A significant portion of the available stock would seem to be in poor condition, or at the very least

²² *The Greater Boston Housing Report Card 2003*, Bluestone, Helmrich and Heudorfer, Northeastern University Center for Urban and Regional Policy, April 2004

²³ ACS Multi-Year Profile for Massachusetts

²⁴ *The Greater Boston Housing Report Card 2003*, Bluestone, Helmrich and Heudorfer

²⁵ Unpublished quarterly vacancy survey, provided by U.S. Census Bureau.

in need of rehabilitation. Nearly 40 percent of the available units had asking rents of \$700 or less, and nearly 60 percent had asking rents below \$900.

- **Strong Home Sales** The home buying market has proved to be much more robust. Buoyed by low mortgage interest rates, 2003 was the strongest year on record for Massachusetts home sales.²⁶ Single family sales rose by nearly 5 percent, 2-4 family home sales rose by 8 percent and condominium sales were up over 16 percent. Sales have continued strong through the first quarter of 2004. The Massachusetts Association of Realtors²⁷ reports that first-time home buyers, including large numbers of immigrants, dominate the starter home and multi-family market, but there is increasing competition from investors for the multi-family units, a trend that has been observed in the Home Mortgage Disclosure Act (HMDA) data for several years. Younger baby boomers continue to trade up, while in some markets, older baby boomers – now empty-nesters – are competing with first-time buyers for condominiums.

Table 2.1

| Increasing Cost of Renting in Massachusetts | | | |
|---|--------------|---------|--------------------|
| Gross Rent* | # of Renters | | Estimated Increase |
| | 2000 | 2003 | |
| Less than \$300 | 114,241 | 101,165 | -11.4% |
| \$300 - \$499 | 131,590 | 79,674 | -39.5% |
| \$500 - \$749 | 267,427 | 173,695 | -35.0% |
| \$750 - \$999 | 203,232 | 186,587 | -8.2% |
| \$1,000 - \$1,499 | 129,997 | 203,467 | 56.5% |
| \$1,500 or more | 45,182 | 81,536 | 80.5% |
| median | \$684 | \$820 | 19.9% |

Source: 2000 U.S. Census, 2003 Annual Community Survey

- **Continuing Escalation of Home Prices** Prices have continued to rise, despite the poor economy, although in the highest cost areas the rate of appreciation has slowed. The supply of units available for sale reached a five-year high in 2003, and that also has contributed to the moderation in price escalation.²⁸ **Figure 2.9**, which plots the average home price and the year over year rate of appreciation on a single graph, illustrates how prices have continued to rise at near record levels during this economic downturn.²⁹ During the 1990-1992 downturn, by contrast, housing values actually declined.

²⁶ Including all categories of property. It was not the strongest year for single family sales, which peaked in 1998.

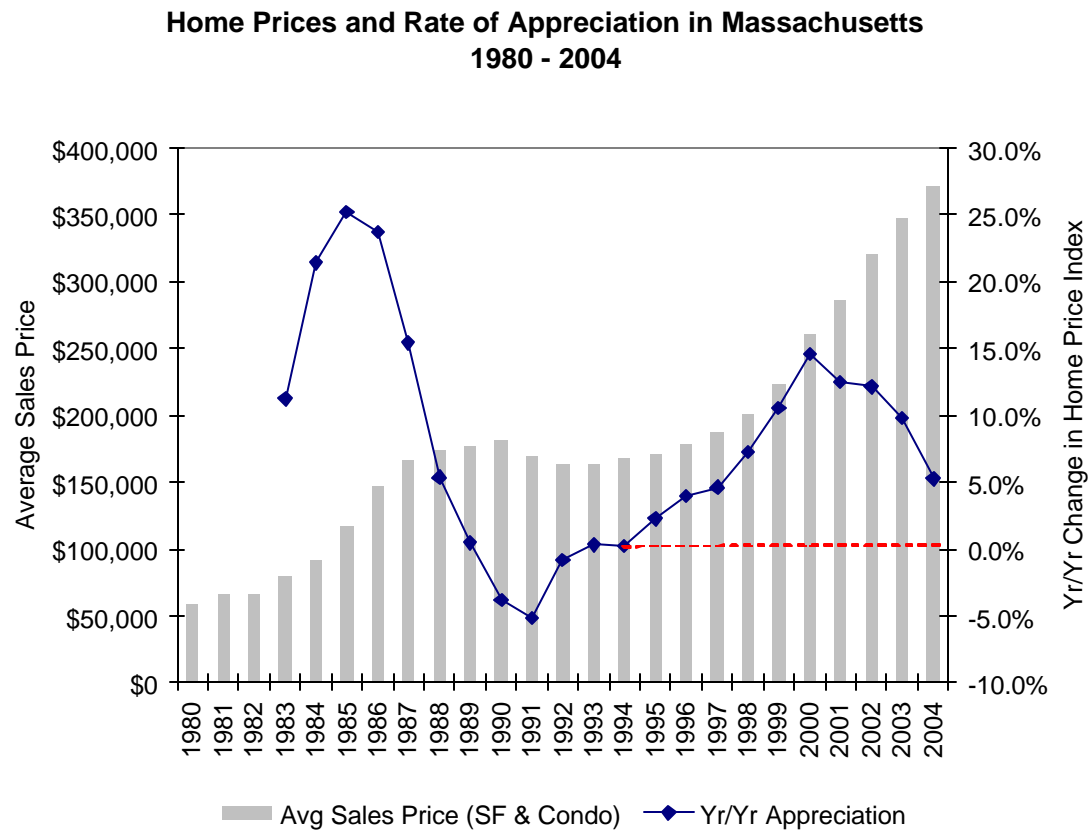
²⁷ Judy Moore, President Massachusetts Association of Realtors

²⁸ Ibid

²⁹ Existing single family home prices are those reported quarterly by the National Association of Realtors. The quarterly rate of appreciation, also known as the home price index (HPI) is reported by the Office of Federal Housing Enterprises Oversight. It is based on all conforming loans (whether for home purchase or refinancing) purchased by FannieMae or FreddieMac.

- High Home Prices Impacting More Parts of the State and More Types of Housing Although the rapid run-up in single family home prices remains largely an eastern Massachusetts phenomenon, it has now spread beyond Greater Boston to include the Central and Southeast regions as well. The greatest increases in the past two years have been on the Cape and Islands. **Figure 2.10**, which shows the median single family home prices by region since 1989, illustrates these changes.

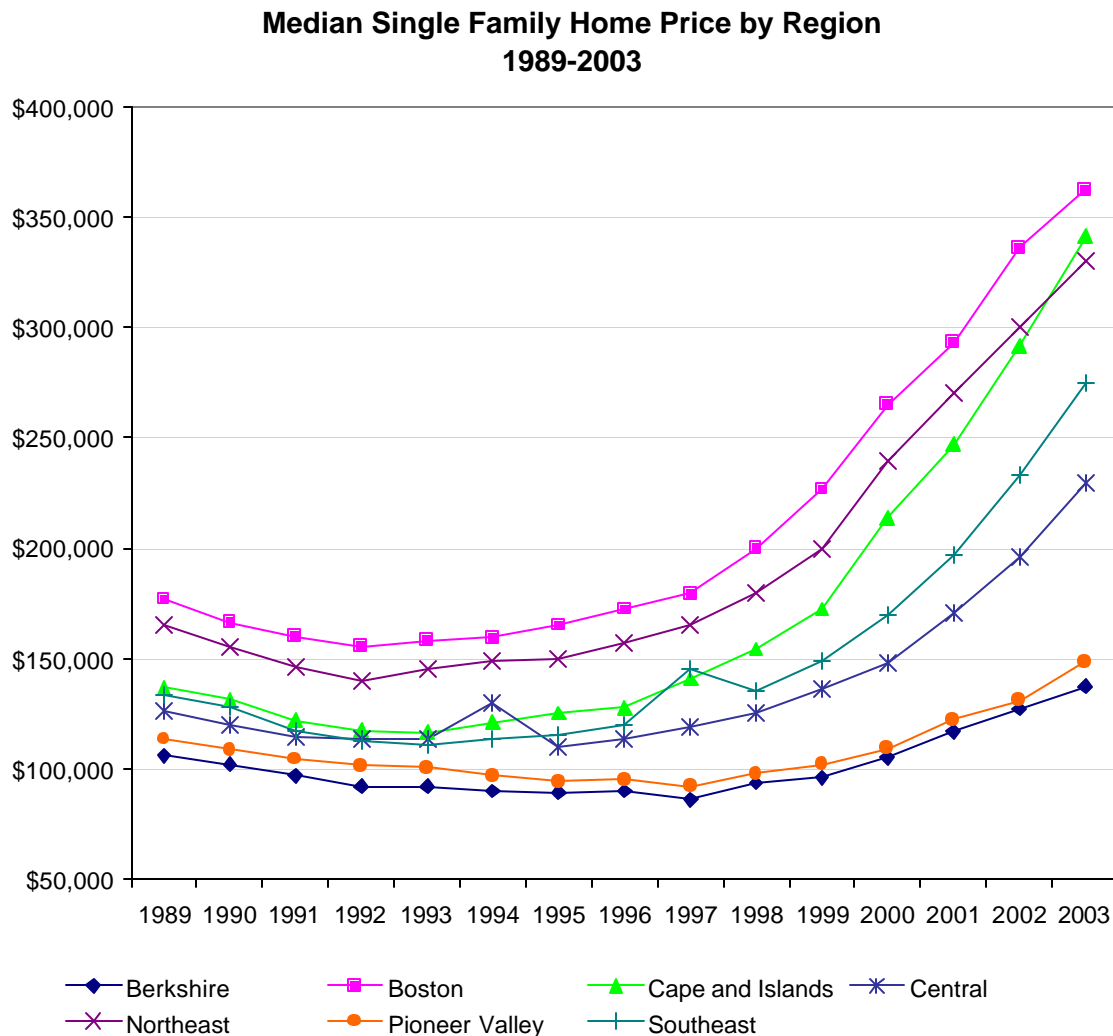
Figure 2.9



Source: Average Prices, MA and National Association of Realtors; Price Appreciation, Office of Federal Housing Enterprise Oversight

Note: Prices include condominium and single family home sales. Appreciation is based on all conforming loans, whether for purchase or refinancing, bought by OFHEO-regulated agencies (FannieMae and FreddieMac)

Figure 2.10



The increase in home prices has been accompanied by a decrease in affordability. As part of the consolidated planning process, DHCD analyzed changes over time in income and cost of homeownership, on a municipality-by-municipality basis. This “affordability gap” analysis estimates the number of communities that would be affordable to their existing residents, if those residents were attempting to purchase a home there today. In 2003, the median income homebuyer could afford to purchase a median priced home in only 201 of the state’s 351 cities and towns, down from 245 in 2001 and 314 in 1998. First-time homebuyers – defined as households earning 80 percent of a community’s median income, attempting to purchase a home priced at 80 percent of the median for that community – could only afford to purchase a home in 127 municipalities. **Table 2.2** summarizes the affordability gap for homebuyers by region, documenting that the problem has grown worse in recent years and has spread beyond metropolitan Boston.

Table 2.2

| Number of Communities that are Affordable to Existing Residents | | | | | | | |
|---|---------------------|---|------------|------------|------------|------------|------------|
| Region | # of Municipalities | # of Municipalities with Sufficient Sales Data in All Yrs | 1998 | 2000 | 2001 | 2002 | 2003 |
| Total | 351 | 340 | 314 | 257 | 245 | 212 | 201 |
| Berkshire | 32 | 25 | 22 | 20 | 23 | 16 | 15 |
| Boston | 75 | 75 | 66 | 36 | 32 | 23 | 23 |
| Cape & Islands | 23 | 21 | 11 | 6 | 4 | 1 | 0 |
| Central | 62 | 60 | 60 | 59 | 55 | 52 | 53 |
| Northeast | 42 | 42 | 39 | 24 | 23 | 17 | 16 |
| Pioneer Valley | 69 | 69 | 69 | 68 | 65 | 65 | 64 |
| Southeast | 48 | 48 | 47 | 44 | 43 | 38 | 30 |

Source: DHCD analysis of median single family home sales prices: The Warren Group Publications

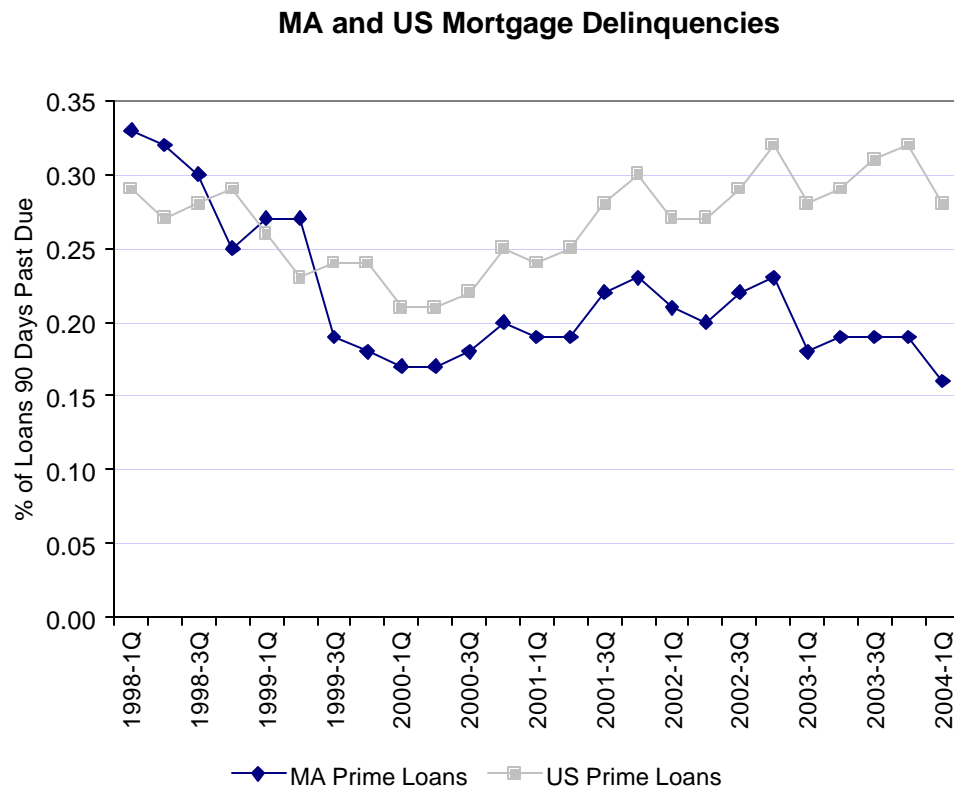
The Greater Boston Housing Report Card 2003 noted that homebuyers appeared to be moving further from Boston in search of more affordable housing. In the 54 communities that constitute the Massachusetts Association of Realtors Greater Boston Region – where the average single family home price topped \$500,000 in 2003 – home sales were up only 3 percent over 2002, and well below the peak levels reached in the late 1990s. Further from the city, however – in the Northeast, South Shore, Southeastern and Central regions – sales were up by more than 7 percent to near record highs.³⁰ Similarly, sales of condominiums and 2-4 family homes, both lower cost options in most areas, reached record highs in 2003.

The rising prices and increasing turnover in the multi-family inventory is a good news-bad news story. Multi-family homes offer a more affordable option for the homeowner, but turnover often leads to higher rents for existing, or new, tenants.

- **Delinquencies Remain Low** Despite high home prices, a weak economy and sluggish income growth, mortgage delinquencies and foreclosures remain well below the national average in all loan categories. This is illustrated by **Figure 2.11**, which tracks the number of conventional mortgage loans that are 90-days past due. This is in stark contrast to widespread credit problems the state experienced during the last recession. Low mortgage interest rates have enabled many homeowners to refinance under more favorable terms, or to pay off other credit obligations.

³⁰ Ibid.

Figure 2.11



Source: Mortgage Bankers of America Association

- An Upturn in Production** In 2003 building permits rose, reversing four years of decline. (Figure 2.4) Statewide the number of units permitted in 2003 was up 15.9 percent over 2002, boosted by a 22 percent jump in Greater Boston, as construction commenced on a number of developments that had been in the planning stages for years. In 2004, the number of building permits increased by an additional 5%, with single family units rebounding.

Massachusetts is still not producing the amount of housing – of the type, in the locations, and at the price levels – it needs to adequately serve its existing residents, much less to support a growing economy. However, it is eliminating some of the shortfall with which it entered the 21st century. The ACS reports that between 1990 and 2000, the state added only .75 *housing units* for each new *household*; between 2000 and 2003, it gained 1.5 *housing units* for each new *household*. By comparison, the national figures were 1.01 housing units per household between 1990 and 2000 and 1.38 between 2000 and 2003.³¹ If the state continues to lose jobs and population, prices can be expected to begin to moderate, but remain at levels beyond what many working families can afford.

- Disparate Impact of New Development** Because new housing production is not evenly distributed, the costs and benefits of growth are not equitably shared. While eastern

³¹ This measures net change from one year to another, not necessarily newly constructed units.

Massachusetts overall has under-produced housing, a number of communities – particularly along Route 495 and on Cape Cod – experienced back-to-back decades of double digit growth during the 1980s and 1990s, and for some, the pressure continues. As a result, they, and others acting preemptively, have tightened their land use controls. An analysis by community of housing starts permitted between 1995 and 2001 revealed that nearly half of the communities in the Commonwealth permitted only single family construction during those seven years. In three quarters of the communities, 90 percent of the units permitted were single family.³² And nearly 60 percent of the communities in the Greater Boston market are permitting fewer units on an annual basis now than they were in the 1990s.³³

- Modest Improvement in Distribution of Rental Housing While rental housing continues to be highly concentrated in a handful of cities, progress has been made in the past two years in improving its regional distribution, largely as the result of the state's affordable housing law, Chapter 40B, which allows a limited waiver of local zoning and other restrictions that impede the construction of affordable housing. Still, rental production is lagging in those parts of the state that experienced the greatest job growth prior to the recent downturn and are most likely to experience renewed growth as the recovery gains momentum. Fewer than 2,000 new rental units have been identified in the planning pipeline in the 32 Metro West-495 Coalition communities, an area with a payroll second only to Boston, and most of these will require Chapter 40B or some other form of zoning relief.
- Increasing Development of Age Restricted Housing Increasing numbers of new housing developments are age-targeted, or age-restricted, to households where at least one member is 55 or over, a trend that appears to be driven both by demographics and by a resistance in many communities to accommodate family housing. More than 40 percent of the state's homeowners are over 55 – Massachusetts has one of the oldest population profiles of any state – and more of them live in the suburbs than ever before. Many suburban communities have few alternatives to single family homes on individual lots for older homeowners looking to downsize or move into lower maintenance or supportive housing facilities. The private sector has begun to respond to what it perceives will be a growing market of seniors willing and able to pay for new units in age restricted developments. A recent review by Citizens' Housing and Planning Association identified more than 10,000 such units recently completed, or under construction, and a similar number in the planning stages. As much as the aging of the population itself, this trend appears to be fueled by local resistance to new family housing.

By 2010, the first wave of post-war baby boomers will reach age 64, and the ranks of the elderly will swell.³⁴ Even now, the 75-84 and 85+ age cohorts are among the fastest growing in the state. As this frail elderly population grows, and lives longer, so does the number with mobility or self-care limitations. Notwithstanding the compelling demographics, it is questionable whether the market will absorb the proliferation of age restricted units coming on line. Already several such developments are experiencing sluggish sales (or rent-up), and a couple have even applied to waive the age restrictions under which they were permitted.

³² *The Record on 40B*, Citizens' Housing and Planning Association, June 2003

³³ *Ibid.*

³⁴ The number of households headed by a person over the age of 65 actually declined by 5 percent between 1990 and 2000, but this is a temporary lull. The depression-era "baby bust" generation – those born between 1925 and 1935 – were turning 65 to 75 in 2000.

- **Affordable Housing Production** The state's public housing and other subsidized housing inventory is discussed in greater detail elsewhere in this section, but it is estimated that more than approximately 10,000 new units, reserved for households earning no more than 80 percent of the area median income, have been added in the past three years. To make these units affordable for lower income households, however, almost always requires rent subsidies for tenants or down payment assistance for purchasers.

Outlook for 2005-2009

While Massachusetts has fared worse than much of the nation during the recent economic downturn, the outlook is improving. The state's economy appears to have turned the corner, but signals about the strength of the recovery are mixed. Among the positive signs, business and consumer confidence levels are up, as are building permits. Exports have risen sharply, manufacturing revenues have stabilized, and retailers expect steady growth over the coming year.

In contrast to the improving national labor market, however, Massachusetts employment has continued to languish. Job losses have persisted and hiring remains weak. Commercial real estate markets remain in the doldrums.³⁵ The Boston area continues to have the highest consumer price inflation of any major metropolitan area in the country, and the gap between Boston and the nation increased between November and January. The biggest contributor to the widening gap was housing costs.

Still, economists project that 2005 will see increased job growth and overall improving economic conditions. The Massachusetts Institute for Social and Economic Research (MISER), part of the University of Massachusetts Donahue Institute, has prepared a series of population projections for the year 2010. These projections range from just a 0.2 percent increase over 2000 to a high of 6.5 percent. Using the mid-range estimate of a 3.3 percent increase, and the assumption that household sizes will continue to decline modestly, Massachusetts will need about 30,000 net new housing units per year between 2005 and 2010. It has produced an average of 18,000 annually over the past four years. New units, of course, must meet the needs of the existing residents of the state, and any newcomers, in terms of size, tenure, location, and price.

Existing Public Housing and Other Subsidized Housing Resources

The state's public and publicly assisted housing has become an increasingly important affordable housing resource for low income residents as the supply of low cost *unsubsidized* units – the traditional source of housing for most low and moderate income households – has declined. The affordable, unsubsidized inventory has been eroded on two fronts: housing price inflation and conversion to higher income occupancy at one end and deterioration and disinvestments of the aging stock at the other.

In 1969, Massachusetts enacted a law to facilitate development of low and moderate income housing, particularly in the suburbs. MGL Chapter 40B, the state's Comprehensive Permit Law, established an affordable housing goal of 10 percent for every community in the Commonwealth. DHCD biennially updates the listing of all housing developments in Massachusetts that include affordable units that qualify toward the 10 percent goal. Housing qualifies for the Subsidized Housing Inventory if it meets the following criteria:

³⁵ *Update New England, First Quarter 2004*, Federal Reserve Bank of New England

- It is developed with a state or federal subsidy or financing mechanism
- At least 25 percent of the units are reserved for households with incomes not exceeding 80 percent of the area median
- Rents or home prices are restricted for a specific period of time (generally at least 30 years for new construction and 15 years for rehabilitation)³⁶
- Specific affirmative marketing requirements are met
- It is subject to a regulatory agreement and use restriction, monitored by a public or nonprofit agency.

There are more than 226,000 units included on the most recent subsidized housing inventory (also known as the 40B list), although not all of these units are restricted to low income occupancy. A summary of the state's assisted inventory, by municipality is available on DHCD's website, <http://www.mass.gov/dhcd/Toolkit/shi.htm>.

Geographic Distribution of Publicly Assisted Housing

When Massachusetts enacted Chapter 40B in 1969, the nation's first affordable housing law, more than 200 communities had no subsidized housing at all. Most others had just begun to build housing for low income elderly renters using the State's public housing programs. Today, all but 36 of the Commonwealth's 351 cities and towns provide some level of low income housing. Most of the ones that don't are small rural communities that are served by regional housing authorities. In 1972, the state's 15 most populous cities accounted for nearly 70 percent of all subsidized housing. Even though these municipalities have since doubled their inventories, they now account for only 53 percent of the state's subsidized housing as more, smaller cities and towns have added units.

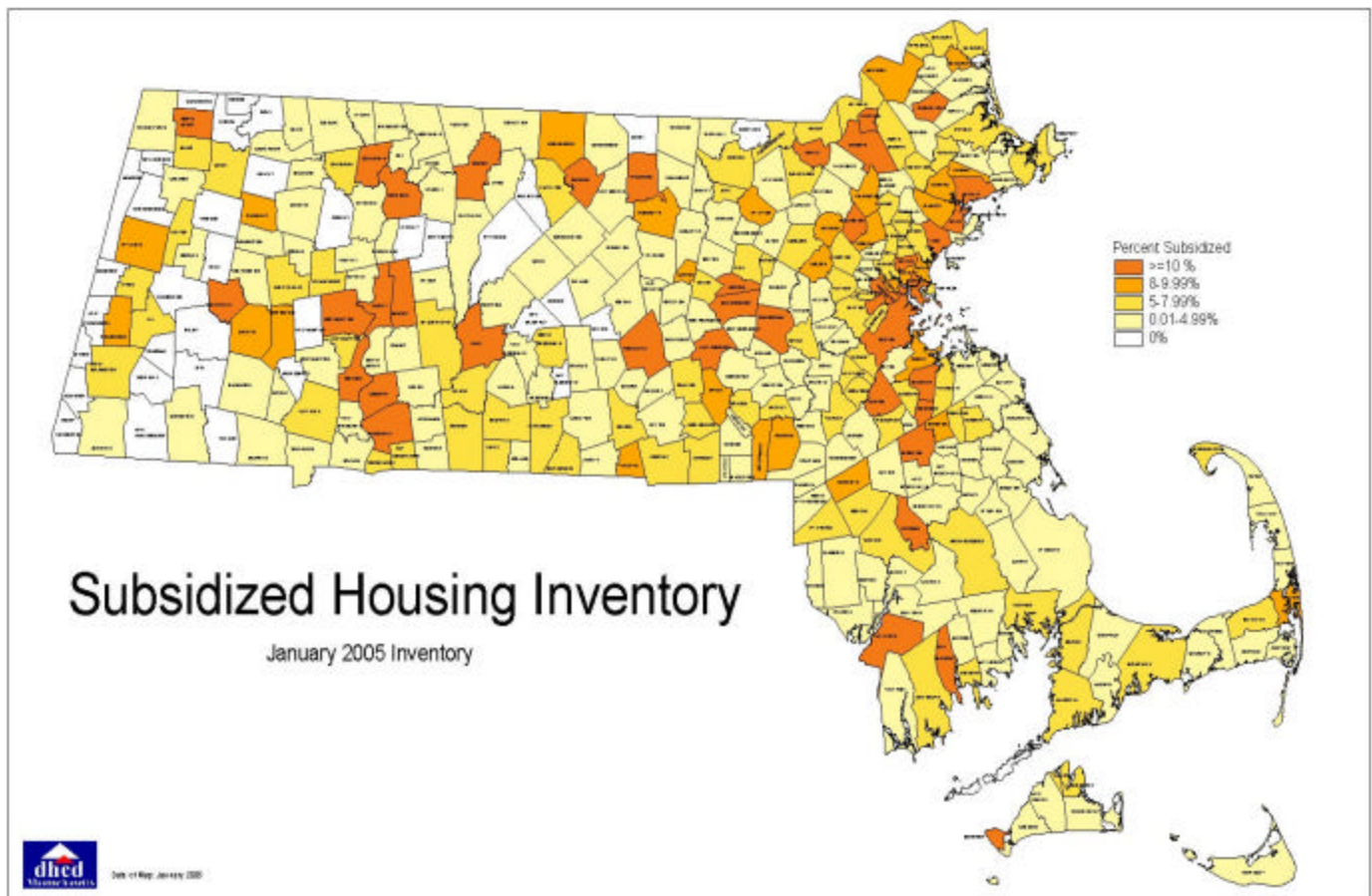
Only 40 of the Commonwealth's communities have achieved the goal of having 10 percent of their year round housing qualify as subsidized low income units, and many of those are large cities with substantial public housing inventories. Significantly, though, 23 non-entitlement communities exceeded the 10 percent threshold by the end of 2004. This is more than double the number that were at the 10 percent threshold when the last consolidated plan was prepared. **Table 2.3** summarizes the broad geographic distribution of the state's subsidized housing inventory, and **Map 2.1** shows, by municipality, what percent of the year round housing units are deemed subsidized. The official subsidized housing inventory, updated monthly, is available on DHCD's website at <http://www.mass.gov/dhcd/Toolkit/shi.htm>.

The Changing Face of Subsidized Housing

Shifts in public policy and funding levels for low and moderate income housing have led to major changes in recent years in the way new affordable units are created. These changes have affected the types of projects being developed, the participants, and their roles and responsibilities. Until the early 1980s, affordable housing production was entirely rental and both its construction and operation were deeply subsidized. Most, if not all, of the units created served low and moderate income households. To serve very low income households in significant numbers today requires a complex layering of financial resources from multiple sources. The Commonwealth continues to aggressively support the efforts of an experienced network of affordable housing developers

³⁶ Alternatively, 20 percent of the units must be available for households earning below 50 percent of area median income. What constitutes an eligible "subsidy program" has changed over time, as have the production tools, but it is now broadly defined to include local initiatives that involve only minimal technical support provided by DHCD as well as developments financed by conventional lenders under the Federal Home Loan Bank of Boston's New England Fund.

Map 2.1



through its public and quasi-public agencies, financial institutions and foundations, but the process is both time-consuming and expensive.

Much of the recent gain to the Subsidized Housing Inventory, particularly in the non-entitlement communities, is the result of production under the comprehensive permit provisions of MGL Chapter 40B. Such developments often receive only modest interest rate concessions through MassHousing, the Federal Home Loan Bank of Boston's New England Fund or one of the state's other quasi-public housing entities. They are essentially market rate developments, with an affordable component – typically 25 percent – made possible by a strong housing market and density bonuses allowed under Chapter 40B.³⁷

³⁷ Development costs per unit are lower because the developer can spread the site acquisition and preparation costs over a larger number of units. Because there is a profit limitation on projects built under 40B, the savings gets passed on to the low or moderate income households who buy or rent a portion of the units. The affordable, or restricted, units in these developments are priced to be affordable to households in the 70-80 percent of median income range. As previously noted, additional rent subsidies or homebuyer assistance is usually required to serve a lower income population.

MGL Chapter 40B's role in producing new affordable housing has become much more prominent in the past three years. Comprehensive permits were used to produce 63 percent of the units added to the state subsidized housing inventory through new construction in 2003, and 51 percent of those designated for low and moderate income occupancy.³⁸ (See **Table 2.4.**) The numbers are much higher in communities that are not already at the 10 percent threshold that allows the state's Housing Appeals Committee to overturn a local denial. *The Greater Boston Housing Report Card* reported that the comprehensive permit was used to produce more than three quarters of all the new affordable units added to the state's subsidized housing inventory between 1997-2002 in communities below 10 percent.

³⁸ In the case of rental housing, all units in a mixed income development count on the inventory, even though only 20-25 percent may be restricted to low income occupancy.

Table 2.3

| Distribution of Low Income Housing by Region | | | | |
|---|----------------------------|-----------|----------------------|--------------|
| Region | Total Yr Rnd Housing Units | 40B Units | Shortfall from 10 %* | % Subsidized |
| Berkshire | 59,946 | 3,920 | 2,075 | 6.5% |
| Entitlement | 21,000 | 1,709 | 391 | 8.1% |
| Non Entitlement | 38,946 | 2,211 | 1,684 | 5.7% |
| Boston | 1,046,659 | 109,622 | -4,956 | 10.5% |
| Entitlement | 597,814 | 80,380 | -20,599 | 13.4% |
| Non Entitlement | 448,845 | 29,242 | 15,643 | 6.5% |
| Cape and Islands | 115,364 | 5,227 | 6,309 | 4.5% |
| Entitlement | 32,322 | 1,600 | 1,632 | 5.0% |
| Non Entitlement | 83,042 | 3,627 | 4,677 | 4.4% |
| Central | 292,736 | 22,216 | 7,058 | 7.6% |
| Entitlement | 103,308 | 12,422 | -2,091 | 12.0% |
| Non Entitlement | 189,428 | 9,794 | 9,149 | 5.2% |
| Northeast | 353,158 | 29,344 | 5,972 | 8.3% |
| Entitlement | 119,696 | 14,222 | -2,252 | 11.9% |
| Non Entitlement | 233,462 | 15,122 | 8,224 | 6.5% |
| Pioneer Valley | 268,022 | 27,578 | -776 | 10.3% |
| Entitlement | 129,162 | 19,000 | -6,084 | 14.7% |
| Non Entitlement | 138,860 | 8,578 | 5,308 | 6.2% |
| Southeast | 391,078 | 27,542 | 11,566 | 7.0% |
| Entitlement | 176,355 | 17,604 | 32 | 10.0% |
| Non Entitlement | 214,723 | 9,938 | 11,534 | 4.6% |
| Total | 2,526,963 | 225,449 | 27,247 | 8.9% |
| Entitlement | 1,179,657 | 146,937 | -28,971 | 12.5% |
| Non Entitlement | 1,347,306 | 78,512 | 56,219 | 5.8% |

* A negative number indicates a surplus

Table 2.4

| 2003 Affordable Housing Production by Type of Public Support | | | | |
|---|-----------------------------|-----------------------------|-----------|-------------------------|
| % of Units Using... | State/Federal Funds, no 40B | State/Federal Funds and 40B | 40B Alone | All Other Public Action |
| Units that count toward community's 10 % affordable housing goal | 21% | 15% | 48% | 17% |
| Units restricted for low income occupancy | 41% | 14% | 37% | 8% |

Source: *The Greater Boston Housing Report Card 2003*

Table 2.4 also underscores the continuing need for subsidies to serve low income households: 55 percent of the low income units required state and federal funds, and 41 percent were solely

dependent on public subsidies. Massachusetts operates a number of programs that help create and preserve affordable rental housing and, as noted, most developments require multiple funding sources. In addition to the federal block grant funds that flow through DHCD, programs are funded by state appropriations, state bonds and an affordable housing trust fund. Federal and state low income housing tax credits generated close to \$100 million in additional equity for low income housing development in 2003. **Appendix B** identifies these programs, which are described in greater detail in DHCD's Program Book (available on DHCD's website and incorporated by reference into this document).

Erosion of the Affordable Stock

The state's existing subsidized housing stock is threatened on several fronts. Units are removed from the affordable inventory if their use restrictions expire and they cease to serve low income households. This includes individual homeowner units and small rental properties rehabbed with CDBG funds as well as the larger "expiring use" projects (rental developments built during the 1960s to the 1980s with federal and/or state subsidies that are converted from low income to market rate housing). Low income units are also lost when older public housing developments are reconfigured and rehabilitated to meet current needs, or demolished without one-for-one replacement.

The conversion of subsidized units to higher income occupancy has resulted in a net loss to date of approximately 4,300 units. Most of this loss occurred prior to 1995. A net loss of fewer than 300 units was reported during the period since the last Consolidated Plan was submitted, and more than 3,541 affordable units have been preserved³⁹ through the efforts of DHCD, MassHousing and the state's other quasi-public agencies. Many remain vulnerable, however, as owners often renew their participation in the subsidy programs on a short-term basis.

Programs such as HOPE VI, Voluntary and Mandated Conversion of public housing to vouchers, also result in losses. HOPE VI demolition and other disposition programs for Federal Public Housing no longer require a one for one replacement. Massachusetts has lost some of its "as built" units under the HOPE VI program and other redevelopment initiatives, though many of these had long been vacant. Individual cities have also demolished public housing, without one-for-one replacements. Lowell and Fall River are two recent examples.

Current Inventory by Type of Housing

Table 2.5 summarizes the state's current inventory of public housing and other subsidized housing. Always an important resource, this housing has become even more critical as the supply of low cost unsubsidized units has declined.

³⁹ Loss of units is tracked by CHAPA and CEDAC. Figures quoted here are from the 3/30/01 and 10/1/04 reports. The number of affordable units preserved was provided by MassHousing. (Total units preserved was 4,444. These figures do not include Boston's Demonstration Disposition Program.)

Table 2.5
Subsidized Multifamily Rental Housing in Massachusetts⁴⁰

| Subsidy Source | Units |
|---|----------------|
| Federal Public Housing | 34,000 |
| State Public Housing | 50,000 |
| Older Privately Owned Subsidized Housing (pre-1990) | 90,000 |
| Recent State Programs (HSF, HIF, FCF, etc.) | 4,000 |
| Recent MassHousing, MHP, MassDevelopment | 9,000 |
| Recent Federally-Assisted Housing (HOME, HDSP, LIHTC not counted elsewhere) | 10,000 |
| Total | 197,000 |

Source: CHAPA, DHCD, HUD

Rental Assistance

In addition to units that are publicly owned, or subsidized, rental assistance from the federal and state government provides another critical resource. Rent subsidies have historically taken two basic forms: tenant-based subsidies travel with the tenant and project-based subsidies are reserved for units in specific developments. Recently, a new hybrid form – project-based vouchers – was introduced, which allows housing authorities to assign some of their tenant-based vouchers to specific housing units under 5-10 year contracts with owners. Tenants can later move without losing their assistance if a tenant-based voucher becomes available. Without project-based subsidies, most newly constructed units – even those utilizing HOME funds, low income housing tax credits, below market financing, and/or other subsidies – will not be affordable to low income families or individuals, even though the rents are within HUD’s prescribed fair market rents (FMRs). A family of three earning \$25,000 can “afford” to pay about \$650 per month if it contributes 30 percent of the household’s income. The fair market rent in Boston on a 2-bedroom unit is more than twice that amount.

Massachusetts operates several rental assistance programs. The four largest are: the federally funded Section 8 Program (the tenant-based portion of which is called the Housing Choice Voucher Program (HCVP), the state funded Massachusetts Rental Voucher Program (MRVP), the state funded Alternative Housing Voucher Program (AHVP), and a special set aside funded through the Massachusetts Department of Mental Health (DMH) for its clients. **Table 2.6** summarizes the activity under each of these programs, which are administered by some 125 public housing agencies and 9 regional nonprofit organizations. (The regional nonprofits administer the rental assistance programs under a contract with DHCD). More than 70,000 households are assisted through the various tenant based programs, and nearly as many receive project based assistance.

⁴⁰ This data has been obtained from the CHAPA database, DHCD and HUD databases. There are some inconsistencies due to the different dates used by the databases and the difficulty of identifying duplications and omissions.

Table 2.6

| Rental Assistance Programs in Massachusetts | | | |
|--|---------------------------------|---------------|----------------|
| Program | Units Under Lease 3/2005 | | |
| | Tenant based | Project Based | Total |
| Section 8 | 67,973 | 60,400 | 128,373 |
| MRVP | 1,516 | 3,144 | 4,660 |
| AHVP | 236 | 0 | 236 |
| DMH | 578 | 0 | 578 |
| Total | 70,303 | 63,544 | 133,847 |
| Total State Funded | 2,330 | 3,144 | 5,474 |
| | | | |
| | | | |

Source: DHCD Report 3/2005 (state programs); HUD Resident Characteristics Report 2/28/05 (federal Section 8)

Rental assistance programs provide a crucial housing resource for families with children, who comprise 57 percent of Massachusetts voucher holders and 43 percent of Section 8 voucher holders.⁴¹ By comparison, families account for only one-third of public housing residents.

Under the Section 8 Housing Choice Voucher Program, the maximum subsidy a household can receive is based on HUD estimates, updated annually, of the fair market rents for the region. During the late 1990s, when rents escalated rapidly in the eastern part of the state, the percentage of voucher holders who were actually able to lease a unit fell below 70 percent for many housing authorities, compared to 90 percent or more in earlier years. Two factors have since changed that. HUD raised the FMRs, and the rental market, beginning in 2002, began to soften. As a result, many more voucher holders are able to find housing, but now the Section 8 voucher program faces an uncertain future.

Because of recent changes in the way HUD funds the vouchers, many administering agencies, in Massachusetts and elsewhere, will not receive sufficient funds to pay landlords for the vouchers now in use. As a result, agencies have had to find ways to scale back their programs. Some have cut the maximum amount of rent a voucher can cover, others are reducing the number of families they can assist. Still others have closed waiting lists and are not reissuing vouchers that become available as families leave the program. The new policy comes on the heels of an existing “freeze” in Massachusetts, meaning that very few new vouchers have been issued in the last year. The need for rental assistance has continued unabated from all sectors. Across the Commonwealth, the homeless, extremely low income families, and special needs households remain on waiting lists with no chance of being selected for a voucher for several years.

Facilities for the Homeless and Special Needs Populations

The state’s inventory of emergency shelters, transitional housing and permanent housing for homeless individuals and families is revised and updated annually as part of the Commonwealth’s application to HUD under the Continuum of Care Homeless Assistance Programs. Twenty-two

⁴¹ HUD Resident Characteristic Report covering February 2003-September 2004.

separate Continuum file for Massachusetts, but the Commonwealth of Massachusetts Continuum, submitted by the Department of Transitional Assistance for some seventy communities not covered by the others identifies *all* facilities that receive any state funding, regardless of where they are located. This Continuum of Care is incorporated into the Consolidated Plan by reference. It is available in its entirety on DHCD's website, www.mass.gov/dhcd.

There are more than 3,700 year round beds for individuals in the publicly funded shelter system, and another 3,000 beds in transitional housing and supportive housing. There are also 3,800 emergency shelter beds for families and another 1,300 in transitional accommodations. A detailed listing of the state's facilities for the homeless is included in **Appendix B**; it is summarized on HUD Table 1A (**Table 4.5**) in Section 4, Strategic Plan. Also included in **Appendix B**, and summarized on HUD Table 1B (**Table 4.4**) in the Strategic Plan section, are the state's resources for people with special needs.

Areas of Low Income Concentration

While low income residents reside in every municipality in the Commonwealth, areas of low income concentration are limited to a very few localities, principally Boston and a handful of other entitlement communities. DHCD focuses on census tracts to identify concentrated low income areas. Only 56 municipalities contain any census tracts that are designated either very low or low income.⁴² Only 20 municipalities contain census tracts with the very low income designation. More than half of the communities that contain low income areas are entitlement communities, as are nearly all of the ones with very low income residential areas. In fact, 93 percent of the population in very low income census tracts, and 80 percent in low income tracts, live in the state's entitlement communities (The City of Boston accounts for 38 percent of the state's very low income tract population.) Chelsea and Southbridge are the two non-entitlement communities with the highest concentration of people living in very low income areas.

There has been relatively little change in the income designation of census tracts since 1990. For the most part, neighborhoods that were low income in 1990 remained so in 2000. In fact, there was very little shift between 1980 and 1990. This is because the low income calculation measures a census tract's median income relative to that of the larger metropolitan area, or county. A tract may register a substantial rise in resident income, yet retain the low income classification if incomes in the surrounding areas increase more sharply. Fewer than 20 percent of the more than 1,300 census tracts in the Commonwealth saw their income designation change at all based on the 2000 Census. Of these, about 100 moved into, or out of, the low income category, with about 60 percent deteriorating and 40 percent improving.

⁴² The designated census tracts are those established by the Federal Financial Institutions Examination Council to monitor home mortgage lending and community investment activities of regulated lending institutions. The FFIEC classifies tracts with median incomes below 50 percent of the area median income as low income and those with incomes between 50-80 percent as moderate income. This analysis, however, uses the current HUD definitions of low, and very low, income in describing these areas. Income levels for geographies (i.e. census tracts) are derived from Census Bureau information and updated every ten years following the decennial census. Consistent with HUD instructions, the 1999 metropolitan area definitions have been used in this analysis. See Methodology, Sources, Data Notes for discussion of the impending shift to the new (2003) metropolitan area definitions.

Areas of Concentration of Racial and Ethnic Minorities

Racial and ethnic minorities became homeowners in large numbers during the 1990s, and have continued to do so since 2000, many taking advantage of first-time homebuyer programs offered by the state's lenders and quasi-public agencies. Between 2001 and 2003 minorities represented 42 percent of all those participating in the Massachusetts Soft Second Loan Program, as 680 black and Latino families purchased their first homes.⁴³ Census 2000 reported there were 10,000 more black homeowners in Massachusetts than there had been a decade earlier. The number of Hispanic owners had increased by 12,000 and the number of Asian homeowners by 15,000. Between 1990 and 2000, the white⁴⁴ homeownership rate rose 6.5 percent, the Asian rate rose 2.7 percent, the black rate rose 19.9 percent, and the Hispanic rate jumped 23.3 percent. As of the 2003 American Community Survey, homeownership rates now stand at 68 percent for whites, 49 percent for Asians, 39 percent for blacks, and 25 percent for Hispanics.

These impressive gains notwithstanding, the state's minorities remain highly clustered by race and ethnicity. There may be many reasons for this clustering, including personal choice. However, recent research by The Civil Rights Project at Harvard University on race and concentrated poverty⁴⁵ concluded that blacks and Hispanics, in particular, are far more likely to live in high poverty areas than whites *with the same incomes*. That study noted that while there are many poor white families in Massachusetts, they do not live in the communities where poor blacks and Hispanics live, for the most part. And, while the state has a growing number of relatively affluent blacks and Hispanics, they have located in significant numbers in only a handful of suburban communities. The study's authors observed that high poverty neighborhoods often offer weaker opportunities than non-poverty neighborhoods in a number of respects, including access to better services, schools, safety, and increasing property values, the primary source of family wealth.

DHCD's own analysis documented this strong correlation between minority residency and concentrations of low income population. Over 60 percent of the state's minority population lives in census tracts classified as low income, compared to less than 18 percent of non-minority residents. Twenty-four percent of minorities, but only 2.5 percent of non-minorities, live in very low income tracts. Further, minorities were more likely to live in tracts that had declined in relative affluence between 1990 and 2000. **Tables 2.7 and 2.8** illustrate these trends. Fewer than 6 percent of the minorities in Massachusetts who live in concentrated low income areas reside in non-entitlement communities. Of these, 60 percent live in Chelsea, Everett and Revere. The vast majority of minorities living in concentrated low income areas reside in entitlement communities such as Boston and Springfield.

⁴³ *Expanding Homeownership Opportunity: The Soft Second Loan Program, 1991-2003*. Campen, Jim. Mauricio Gaston Institute for Latino Community Development and Public Policy, University of Massachusetts at Boston, July 2004.

⁴⁴ As used in this Plan, the terms white, black and Asian refer to the non-Hispanic members of those races only. Hispanics of any race are referred to as Hispanic.

⁴⁵ *Beyond Poverty: Race and Concentrated-Poverty Neighborhoods in Metro Boston*, McArdle, Nancy et al., The Civil Rights Project, Harvard University, December 2003. McArdle and her colleagues considered a census tract severely distressed if it exhibited at least three of the following characteristics: high share of female headed families with children, high share of high school dropouts, high share of people in poverty, and high share of males detached from the labor force.

Table 2.7

| % of Minorities and Non Minorities Living in Low Income Areas | | | | | |
|---|--|---------------------|-------------------------|---------------------|-------------------------|
| | | 1990 | | 2000 | |
| Census Tract Designation | Tract Median Income as % of Area Median Income | Minority Population | Non Minority Population | Minority Population | Non Minority Population |
| Upper | >=120% | 9% | 22% | 12% | 29% |
| Mod/Middle | >=80% but <120% | 29% | 56% | 27% | 53% |
| Low | >50% but <80% | 41% | 19% | 37% | 15% |
| Very Low | <50% | 22% | 4% | 24% | 3% |

Source: DHCD Analysis of Federal Financial Institutions Examination Council Data

Table 2.8

| % of Minorities and Non Minorities Living in Areas Where Income Designation Changed Between 1990-2000 | | |
|---|----------|--------------|
| Income Trend | Minority | Non Minority |
| % of Population in Tracts with Rising Income Designation | 7% | 9% |
| % of Population in Tracts with Stable Income Designation | 73% | 81% |
| % of Population in Tracts with Falling Income Designation | 20% | 9% |

Source: DHCD Analysis of Federal Financial Institutions Examination Council Data

Barriers to Affordable Housing

Building new housing in Massachusetts is costly and challenging. Some of the obstacles to production are peculiar to affordable housing; others apply to housing development generally. The factors affecting the state's performance on housing development and rehabilitation have to do with economic and fiscal considerations, resource allocation, the state's legal and regulatory framework, and public perception and attitudes. Specific barriers include:

- The high cost of housing in Massachusetts, relative to household incomes
- High construction costs, including high labor costs
- High cost and relative scarcity of land *available for development*, especially in the eastern part of the state, and the higher costs associated with building on the marginal sites that are available
- Limited infrastructure in many of the Commonwealth's communities and little incentive for improving roads, water and sewer systems

- The elimination of deep federal subsidy programs for low income housing development, and their replacement by a number of smaller, shallow subsidies, increases time delays and transaction costs. Fiscal constraints at the state level have compounded the problem, necessitating spending cuts in state programs.
- Complex or redundant building codes and the way that they are applied
- Complex or restrictive local zoning and land use controls and processes
- Limited planning and organizational capacity at the local level. Half of the commonwealth's 351 municipalities have fewer than 10,000 residents, and most of these have no professional planning or community development staff.
- Municipalities have control over most land use decisions, and they are also responsible for providing and paying for essential public services – including education – largely through the property tax. As a result, fiscal considerations often dominate land use decisions to the detriment of regional needs.
- Reluctance of communities to allow affordable housing to be built because of concerns related to fiscal impact, property values and “community character.”

While localities exert control over many of the issues listed above, the state is undertaking initiatives to help communities approach residential development more positively. Specific strategies for mitigating these barriers are discussed in Section 4, the strategic plan. The state recognizes that expanding the supply of affordable housing, while balancing concerns related to transportation, infrastructure, natural resources, economic development, municipal services and fiscal capacity, is a difficult task. It also recognizes the need to encourage the marketplace to create a broader range of housing types, and significant energy and resources have been devoted towards this goal since the last Consolidated Plan was submitted. The Commonwealth will continue to seek to eliminate barriers to housing development for individuals and families across a broad range of incomes.